

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7199

BILL NUMBER: HB 1614

NOTE PREPARED: Jan 24, 2005

BILL AMENDED:

SUBJECT: Elimination of property taxes for public safety.

FIRST AUTHOR: Rep. Buck

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the authority to levy property taxes for public safety services beginning in 2006. It authorizes local governments to impose user fees for public safety services on the owners of property.

Effective Date: July 1, 2005; January 1, 2006.

Explanation of State Expenditures: The State Board of Account is required to verify the amount spent by civil units for public safety by September 1, 2005. The verification would either increase the State Board of Accounts expenditures or delay potential audits until the verification was completed. The amount of the delay or additional cost is currently unknown.

The Department of Local Government Finance is required to reduce levies by the amount that the State Board of Accounts verifies for public safety. If the reductions are done as part of the normal budget process, the department should not incur any additional expense.

With respect to property tax replacement credits (PTRC) and homestead credits, rates and charges imposed must be treated as ad valorem property taxes for the purpose of PTRC and homestead credits. However, under existing law, property taxes are paid by business personal property owners, homestead owners, and other real property owners. The state does not currently pay PTRC on the portion of the civil levy attributable to personal property. Because, under the bill, personal property owners will not be assessed a fee, fees for real property will increase. The state would pay PTRC on real property fees, so this PTRC payment would increase. However, because currently exempt property could also have to pay the fee, the portion paid by homesteads

would decrease relative to other real property owners. Consequently, the state could pay less in homestead credits. The specific impact is unknown.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill would reduce property taxes by about \$1.3 B. Public safety services would be funded with a user fees of about \$1.3B. Public safety services include police, fire, emergency ambulance services, emergency medical services, and emergency action. The users fee would be set at a rate sufficient revenue to provide:

1. Pay all expenses incidental to the delivery of public safety services.
2. Provide a sinking fund for the liquidation of bonds.
3. Provide adequate money to be used as working capital for making improvement, additions, extensions, and replacements.

The rate or charges can be based on:

1. A flat charge for each lot, parcel of property, or building.
2. The amount of police and fire services used.
3. The relative police and fire risk.
4. Whether the political subdivision is required to purchase or lease special equipment to deliver services to the property.
5. Other factors determined by the political subdivision to establish a just and equitable rate.

Explanation of Local Revenues: See *Explanation of Local Expenditures*, above.

State Agencies Affected: Department of Local Government Finance, State Board of Accounts.

Local Agencies Affected: Civil Units.

Information Sources: Local Government Database.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.